



## 2007-09 Budget Development Question and Answer Session





## Topics for Today

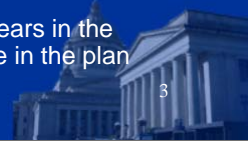
- Overview of significant budget instruction changes
  - Operating and Capital
- Topics of special interest
  - Recommendation Summary Text
  - Performance Measures
- Budget Process News
  - Carry-forward Level
  - Priorities of Government 2007-09 Update
- Any other questions or suggestions?
- Priorities of Government overview (for those interested)





## Operating Budget Instruction Changes

- OFM expects that each major activity in the agency activity inventory will have at least one performance measure as is now required by RCW 43.88.090. Section 9
- OFM may ask agencies to submit proposals to remedy or improve selected activities as part of their budget request. As now required by RCW 43.88.090 OFM must conduct regular reviews of the performance of agency activities. Based on these reviews, OFM may direct agencies to include proposals to close performance gaps as part of their budget request document. Section 6.2
- Agencies have more flexibility in choosing maintenance level Recsum codes and titles. Section 5.2
- OFM will work with agencies to ensure that funding received as an unanticipated receipt in the 2005-07 biennium and expected to continue in the 2007-09 biennium is included in the budget request as appropriate.
- Transportation agencies must now include sixteen years in the transportation plan. Other changes have been made in the plan requirements. Section 13.4





## Operating Budget Instruction Changes

- Discontinued Requirements. Agencies are no longer required to submit or to conduct the following:
  - Budget Levels by Program report. Only selected agencies are now required to submit budget information by program.
  - Current biennium revenue estimates. We have tried to simplify the revenue submittal requirements for agencies to better align with the way most agencies estimate maintenance level revenue for the ensuing biennium. Section 8.1
  - Fund summaries. We ask that fund administrators coordinate with the other agencies that spend out of the funds they are responsible for to avoid submitting budgets to OFM that would result in a negative fund balance. However, fund administrators are no longer required to submit a report to OFM which show the projected ending fund balance. Section 8.2.
  - Verify beginning fund balances. OFM will let agencies know the beginning budgetary fund balances which will be used to develop the 2007-09 budget, but agencies will not be asked to verify these amounts. Section 8.2





## Capital Budget Instruction Changes

- Agencies will answer new questions in the narrative justification required for each project. Agencies must address all questions in the project description field in the Capital Budget System (CBS) (*Section 2.3*)
- Deferred maintenance backlog reduction plans must be included as part of the capital budget submittal documents. A summary of the plan is no longer required. (*Section 3.1*)
- Per Executive Order 05-05, all capital construction projects and land acquisitions for the purpose of a capital construction project, must be reviewed by the Department of Archaeology and Historic Preservation (DAHP) and the Governor's Office of Indian Affairs. In the budget submittal, agencies must include a letter from DAHP listing the proposed capital projects that have been reviewed and the projects that are categorically exempt from this requirement. (*Section 1.3*)
- Agencies are required to design all new construction projects or major renovations over 5,000 gross square feet to meet the Leadership in Energy and Environmental Design (LEED) Silver Standard. (*Section 6.1*)



The Capital Budget Instructions underwent a radical rewrite and pruning this year. We hope you've found the instructions to be more clear and concise. A project to review and improve the capital budget process, as well as some new external requirements, led to these budget instruction changes.

**Q. Is there a deadline for submitting projects to the Department of Archaeology and Historic Preservation (DAHP)?**

A. No. Projects can be submitted to the department at any time, although OFM requires that a letter from DAHP confirming the review or exemption be submitted as part of the budget request.



## Capital Budget Instruction Changes

- Agencies will review and confirm second-year expenditure estimates for the current biennium developed by OFM. (*Section 13.7 in Operating Budget Instructions*)
- Alternative financing projects will be identified with a new fund code — “COP” — created for this purpose, rather than the “classification 3” designation previously used. (*Section 1.5*)
- A city and legislative district needs to be identified for projects listed on a minor works list or grants list. (*Section 2.8*)
- Please identify, the GIS code of the project in the project narrative, if known. (*Section 2.3*)



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**Q. What will OFM use to prepare the second-year estimates?**

A. Because allotments should represent the agency’s best and most current estimate of planned expenditures for the biennium, OFM will use allotments for the second-year estimates.

**Q. Will agencies have a chance to review and recommend adjustments to the estimates?**

A. Yes. But we would expect there would be little need for significant adjustment given the requirement that allotments represent the agency’s best estimate of planned expenditures.

**Q. Are the code changes identified above now edits in CBS?**

A. Not at this time. We ask for your assistance in making these selections as the system will not enforce them.



## Topics of special interest

- Recommendation Summary text
- Performance measures





## Recommendation Summary text

- This is the summary that OFM executives and POG results teams see
- THIS IS WHERE YOU MAKE A FIRST IMPRESSION!
- It is in your interest to make it clear, concise and compelling
  - Describe the problem
  - Describe what the package buys and how this solves the problem
  - Be succinct and precise
  - Use non-technical text
  - Avoid jargon and acronyms
  - Assume non-experts are reading this
  - Limit to about 100 words



**Q. Is there a limit in the system on the number of characters for Recommendation Summary text?**

A. The system allows a great deal of text, far more than we recommend. Recsum text is most effective when it is limited to about 100 words. We also recommend taking into consideration the priority and complexity of the item being explained. A decision package for a lease rate increase, for example, does not warrant a long and elaborate recommendation summary text.





## Examples of Recsum Text we receive

- **What is this? What are we buying?**
  - *Recommend increase in allotment for an existing service provider whose services will be required more frequently than in prior biennia.*
  - *Updating the current budget to reflect changes in the future biennium.*
- **What is the problem? Why should we buy this?**
  - *Agency complaints database upgrade.*
  - *This request would fund three new Customer Service Specialists at six regional offices located in Spokane, Ephrata, Yakima, Mill Creek, Vancouver, and Montesano, which would reinstate customer service, Monday through Friday, 8:00 a.m. to 5:00 p.m. daily.*



These are examples of Recsum text submitted by agencies in the last few years. Would you be persuaded to spend scarce state resources on these items based on these descriptions?



## Examples: submitted text and final edited versions

- Submitted: *This decision package requests funds to provide expanded pharmacy hours for the state facilities.*
- Edited by OFM: The Joint Commission on Accreditation of Hospital Organizations (JCAHO) found the X facility out of compliance in not providing adequate pharmacy coverage during weekends and after normal workday hours. Staffing is provided to expand pharmacy hours at the facility.
- Submitted: *This decision package requests funding for program development, start-up, and operating costs for the X program. The federal government provides 60% of the funding to initiate and operate the program.*
- Edited by OFM: The X program is a nationally recognized program that provides high school credits and work skills to 16- to 18-year-old students in a structured learning environment. After completing this 22-week program, the students can return to high school to complete their remaining graduation requirements. In addition, each student receives one year of one-on-one mentoring. The federal government provides 60 percent of the funding through the X agency to operate the program.

More examples of text as it was originally submitted and how it was edited for publication in the Governor's budget. Just by adding a sentence or two describing the problem (or opportunity) and what would be purchased to address it transforms these descriptions into compelling statements.



## Performance Measures—HB 1242 underscores interest measuring outcomes

HB 1242 requires:

- Each state agency shall establish quality and productivity objectives for each major activity in its budget
- The objectives must be expressed to the extent practicable in outcome-based, objective, and measurable form
- Objectives must specifically address the statutory purpose or intent of the program or activity and focus on data that measure whether the agency is achieving or making progress toward the purpose of the activity and toward statewide priorities
- OFM shall regularly conduct reviews of selected activities to analyze whether the objectives and measurements submitted by agencies demonstrate progress toward statewide results
- The goal is for all major activities to receive at least one review each year



The legislature passed HB 1242 in the 2005 legislative session. The bill places increased emphasis on performance measures for budget activities and the underscores the legislature's interest in measures that address the intended outcome of the activity and the contribution to statewide results. OFM is also given responsibility to conduct regular reviews of agency activity measures to determine whether they demonstrate progress toward statewide results.

Our budget instructions reflect this emphasis on activity measures.



## Performance Measures

- OFM, the legislature and citizens are interested in performance information about agency activities.
- Performance information is the currency of the POG competition—Which activities contribute most to statewide results?
- Please review the budget instructions: Section 9, Appendix A-4
  - Performance measure reporting requirements
  - Tips on developing a good performance measure
  - Description of the logic model
  - Glossary
- Please coordinate with strategic planning, performance measure, GMAP folks in your agency. The measures submitted in the budget should reflect all the agency's good work in this area.



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OFM, the legislature and citizens are interested in performance information about agency activities—Activity performance measures should tell the story about what the activity is accomplishing and how it contributes to statewide results.



## Common Questions and Myths about Performance Measures and the Budget

- **Q. Is each activity required to have a unique measure?**
- No. An agency may have several activities that are all targeted toward achieving the same outcome. The system will allow you to link one measure to multiple activities. However, please make sure that the measures linked to an activity will indicate whether the agency is achieving or making progress toward the purpose of that activity and toward statewide priorities.
- **Q. Is it acceptable for an activity to have both performance measures and an expected result statement?**
- Yes. In many cases the combination of outcome description and quantitative measures may most clearly express the contribution the activity makes in achieving agency goals and statewide results.
- **Q. May new measures be proposed as part of the budget submittal?**
- Yes. You may add measures through the PMT system. You will be required to release the new measures to OFM prior to releasing your agency budget. A special release option for this is available to release only new measures to OFM. This will prevent the release of existing measures in various stages of editing for tracking purposes.



## More Common Questions and Myths

- **Q. How do I know which activities are “major” activities**
- OFM will contact agencies about activities lacking required performance measures.
- **Q. Must we create a new performance measure in the system for each decision package?**
- No, here's what we require:
  - If this change in performance is a change in one of the activity performance measures already reported in the system, agencies should indicate the incremental change in that performance measure related to that decision package.
  - If the decision package will contribute to some other ongoing activity result, the agency should establish a new measure in the system for that activity.
  - If the decision package is expected to bring about some other kind of performance change — a change that would not be relevant as an ongoing measure of activity results — please do not create a performance measure for the sole purpose of describing the effect of a decision package. This information should be described, and if possible, quantified in the decision package narrative.

**Q. If we add a new measure as part of the budget submittal, will we be committed to track this measure in the future?**

A. If OFM concurs that the proposed measure is a meaningful ongoing measure of activity results, and if funding critical to that activity result is provided by the legislature, OFM would, in most cases, ask the agency to track the measure.



## Performance Measure reviews

- Later this summer OFM will begin conducting formal reviews of the performance measures submitted to OFM.
- Standby for more information about our proposed approach and timeline.
- Our intent is to offer support and assistance to agencies in improving the overall quality of performance measures reported through the budget process.



Brian Willett has just joined the OFM Budget Division to serve as a performance measure analyst. Brian will take the lead on the performance measure reviews and is now available to assist agencies with performance measure questions. Please feel free to contact Brian at [brian.willet@ofm.wa.gov](mailto:brian.willet@ofm.wa.gov).



## A good performance measure. . .

- Is a quantifiable indicator of whether an activity is achieving its purpose or is contributing to statewide results
  - Immediate and intermediate (and in some cases high-level) outcome measures are preferable, although in some cases output and efficiency measures help to tell the story.
- Is reliable, accurate, and verifiable
- Passes the, "So what...?" test
- Is understandable and relevant to citizens and stakeholders who may have little or no knowledge of agency operations
  - State the measure in clear and brief terms.
  - No jargon or acronyms
  - Use footnotes to clarify if necessary
  - Remember that the measures will sometimes be sorted by result area, out of their agency context. Can the statement of measure be understood on its own?







## Good performance measures. . .

- Are stated so it is durable and provides context
  - Average turnaround time to complete investigations – YES
  - Change in turnaround time for completing investigations--NO
  - Also, do not include targets in the statement of measure
- Describe what the number represents
  - Do not include words such as “improve”, “increase”, “decrease” in the statement of measure – Those words should be found in the objective statement that created the measure
- Stated in positive terms (or in terms of the desired outcome)
- Are worth the cost to collect, record, analyze, and report the data
- Are sufficient in number – Not too many, not too few – Judgment is required





## Agency Strategic Plans are due June 1

- Please submit at least five copies of the agency strategic plan, and either one electronic version of the plan (preferred) or two additional hard-copy plans (for a total of seven.)
- Hard copies should be delivered to:  
Operations Section, Budget Division  
Office of Financial Management  
300 Insurance Building  
Post Office Box 43113  
Olympia, Washington 98504-3113

Or if using a courier instead of campus mail:

Office of Financial Management  
302 14th Avenue SW Suite 300  
Olympia, WA 98501

- **Electronic copies should be sent to:** [ofm.budget@ofm.wa.gov](mailto:ofm.budget@ofm.wa.gov)

Strategic plans will be posted on the OFM Budget website:

<http://www.ofm.wa.gov/budget/manage/strategic/default.asp>

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## Carry-forward level

- Development is underway now.
- We will provide information about how we intend to treat common items such as:
  - Smartbuy
  - Mid-level manager reductions
  - Fuel cost increases included in the supplemental budget
  - Compensation-related items
- Our goal is to complete carry-forward level by the end of May; depends on the availability of agency and legislative staff



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**Q. Will supplemental 2006 budget items be included in carry-forward level?**

A. Yes. The carry-forward level process looks at the items funded in the 2005-07 regular budget and the 2006 supplemental budget. Each item is analyzed to determine whether the legislature intended the item to have one-time funding (and should thus be removed from carry-forward level) and whether there is a bow wave cost associated with the item that requires a carry-forward level adjustment.

**Q. How will the funding for fuel and energy cost increases in the 2006 supplemental budget be treated?**

A. The legislative notes indicate that these items were assumed to be one-time costs; our plan is to remove those items in carry-forward level. Fuel and energy costs have continued to rise in recent months and could impact the 2007 supplemental and 2007-09 budgets. The Department of Transportation will release an updated fuel cost forecast in June. OFM will relay this information and associated assumptions to agencies with guidance on how to apply the forecast information to budget estimates. Budget proposals for fuel cost adjustments should be made in maintenance level.



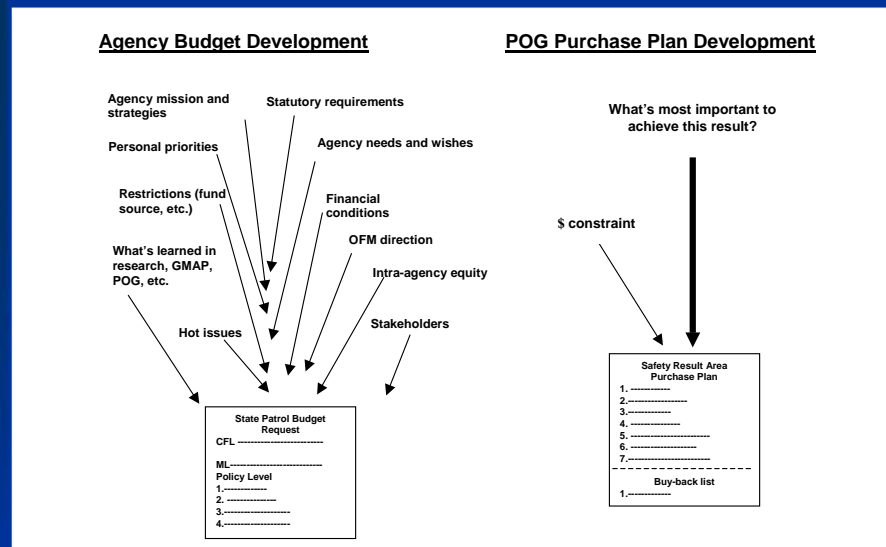
## Priorities of Government will again aid the Governor's budget development

- Later this year teams will convene around each of the statewide result areas
- Teams will be asked:
  1. Which strategies will most influence the result?
  2. Which activities should we buy and at what price to achieve the most results within a dollar constraint? (the purchase plan)
  3. Which activities, in priority order, would you buy next if more money were available?
- Building blocks for the purchase plan:
  - List of existing activities that contribute to the result priced at maintenance level
  - Agency policy level budget proposals that might contribute to the result
  - Any other evidence-based ideas to achieve results
  - Performance data for agency activities





## POG ensures that the results-oriented perspective receives focus



A key benefit of the POG purchase plan is its intentionally narrow focus. POG helps ensure that the results-oriented budget perspective can be seen apart from all the other perspectives.

The purchase plan helps us shape our recommendations and to double-check them.

- Do our recommendations differ from the POG Result Area Purchase Plan recommendations?

- Is it because we considered factors not allowed in POG?

- Are there barriers standing in the way we might want to remove?

- o Statutory and other restrictions

- o Stakeholder misunderstandings about what really works?



## The Agency Budget Request connection to POG

- Your budget request will be reviewed in the context of how it contributes to one or more statewide results first, and then how it supports agency objectives.
- The strategic plan, decision package narratives and activity performance measures should communicate how the budget supports both perspectives
- Targeted budget instructions
  - Include the requested deliverables in the budget notebooks submitted to OFM
  - OFM staff will be checking with those agencies on the progress of these tasks





## GMAP, POG—What's the Connection?

### POG

*Periodic results-based prioritization of activities across the government*

- Looks at all state activities and how they contribute to 10 statewide results
- Uses evidence about what works to make investment choices that will maximize results
- Needs:
  - Information about how activities contribute to results
  - Evidence of effective strategies
  - Information and ideas on investments that remove barriers to results

### GMAP

*Method for on-going management of agency activities*

- Focuses on the performance of certain activities within an agency or statewide result
- Continuously evaluates and improves the effectiveness of the activities we purchased
- Provides:
  - Performance assessments
  - Learning about the effectiveness of current strategies
  - Information and action plans to improve performance



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